

**REPORT OF THE AUDIT OF THE
GRANT COUNTY
FISCAL COURT**

**For The Fiscal Year Ended
June 30, 2005**



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CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Ernie Fletcher, Governor

Robbie Rudolph, Secretary

Finance and Administration Cabinet

Honorable Darrell L. Link, Grant County Judge/Executive

Members of the Grant County Fiscal Court

The enclosed report prepared by Tichenor & Associates, LLP, Certified Public Accountant, presents the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Grant County, Kentucky, as of and for the year ended June 30, 2005, which collectively comprise the County's basic financial statements.

We engaged Tichenor & Associates, LLP to perform the audit of these financial statements. We worked closely with the firm during our report review process; Tichenor & Associates, LLP evaluated the Grant County's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

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Crit Luallen

Auditor of Public Accounts

Enclosure



EXECUTIVE SUMMARY
AUDIT EXAMINATION OF THE
GRANT COUNTY FISCAL COURT

June 30, 2005

Tichenor & Associates, LLP has completed the audit of the Grant County Fiscal Court for fiscal year ended June 30, 2005.

We have issued an unqualified opinion, based on our audit, on the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Grant County, Kentucky.

Financial Condition:

The fiscal court had net assets of \$5,068,752 as of June 30, 2005. The fiscal court had unrestricted net assets of \$3,948,527 in its governmental activities as of June 30, 2005, with total net assets of \$4,945,179. In its business-type activities, total net cash and cash equivalents were \$96,860 with total net assets of \$123,573. The fiscal court had total debt principal as of June 30, 2005 of \$8,952,000 with \$310,000 due within the next year.

Deposits:

The fiscal court's deposits were insured and collateralized by bank securities.

Report Comments:

- The County Should Reconcile The Payroll Revolving Account On A Monthly Basis
- The County Should Cancel Healthcare Premiums For Terminated Employees In A Timely Manner

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TICHENOR & ASSOCIATES, LLP

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To the People of Kentucky
Honorable Ernie Fletcher, Governor
Robbie Rudolph, Secretary
Finance and Administration Cabinet
Honorable Darrell L. Link, Grant County Judge/Executive
Members of the Grant County Fiscal Court

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Grant County, Kentucky, as of and for the year ended June 30, 2005, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Grant County Fiscal Court. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinions.

As described in Note 1, Grant County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Grant County, Kentucky, as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable thereof for the year then ended in conformity with the basis of accounting described in Note 1.

The County has chosen not to present the management's discussion and analysis that the Governmental Accounting Standards Board (GASB) has determined is necessary to supplement, although not required to be part of, the basic financial statements.

The budgetary comparison information is not a required part of the basic financial statements but is supplementary information required by GASB. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the budgetary comparison information. However, we did not audit it and express no opinion on it.

To the People of Kentucky
Honorable Ernie Fletcher, Governor
Robbie Rudolph, Secretary
Finance and Administration Cabinet
Honorable Darrell L. Link, Grant County Judge/Executive
Members of the Grant County Fiscal Court

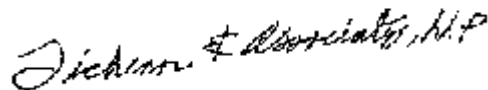
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Grant County, Kentucky's basic financial statements. The accompanying supplementary information, combining fund financial statements, are presented for additional analysis and are not a required part of the basic financial statements. The combining fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated January 26, 2006 on our consideration of Grant County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Based on the results of our audit, we present the accompanying comments and recommendations, included herein, which discusses the following report comments:

- The County Should Reconcile The Payroll Revolving Account On A Monthly Basis
- The County Should Cancel Healthcare Premiums For Terminated Employees In A Timely Manner

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Tichenor & Associates, LLP".

Tichenor & Associates, LLP

Audit fieldwork completed -
January 26, 2006

GRANT COUNTY OFFICIALS**For The Year Ended June 30, 2005****Fiscal Court Members:**

Darrell L. Link	County Judge/Executive
Richard Austin	Magistrate
Patricia Conrad	Magistrate
Ken Messer	Magistrate

Other Elected Officials:

Edward J. Lorenz	County Attorney
Judy Fortner	County Clerk
Randy Middleton	County Sheriff
Steve Kellam	County Jailer
Angela McLafferty	Property Valuation Administrator
Mary Lee Willoby	County Coroner

Appointed Personnel:

Roger L. Wagoner	County Treasurer
Connie McClure	Finance Officer
Charles Hearn	Road Supervisor
Kay Jump	Jail Administrator Assistant/Bookkeeper
Evalene Davis	Other Key Personnel

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GRANT COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2005

GRANT COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2005

	Primary Government		
	Governmental	Business-Type	
	Activities	Activities	Totals
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 4,836,605	\$ 96,860	\$ 4,933,465
Notes Receivable (Waterlines & Health Department)	100,000		100,000
Interest Receivable (Corinth Water District)	8,479		8,479
Total Current Assets	<u>4,945,084</u>	<u>96,860</u>	<u>5,041,944</u>
Noncurrent Assets:			
Notes Receivable (Waterlines & Health Department)	1,452,000		
Capital Assets - Net of Accumulated Depreciation:			
Land and Land Improvements	172,700		172,700
Buildings and Building Improvements	5,708,816		5,708,816
Vehicles	517,168	26,713	543,881
Machinery and Equipment	551,461		551,461
Infrastructure	549,950		549,950
Total Noncurrent Assets	<u>8,952,095</u>	<u>26,713</u>	<u>7,526,808</u>
Total Assets	<u>13,897,179</u>	<u>123,573</u>	<u>12,568,752</u>
LIABILITIES			
Current Liabilities:			
Financing Obligations Payable	100,000		100,000
Bonds Payable	210,000		210,000
Total Current Liabilities	<u>310,000</u>		<u>310,000</u>
Noncurrent Liabilities:			
Financing Obligations Payable	1,452,000		1,452,000
Bonds Payable	7,190,000		7,190,000
Total Noncurrent Liabilities	<u>8,642,000</u>		<u>8,642,000</u>
Total Liabilities	<u>8,952,000</u>		<u>8,952,000</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	1,552,095	26,713	1,578,808
Restricted For:			
Debt Service	996,557		996,557
Unrestricted	2,396,527	96,860	2,493,387
Total Net Assets	<u>\$ 4,945,179</u>	<u>\$ 123,573</u>	<u>\$ 5,068,752</u>

The accompanying notes are an integral part of the financial statements.

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GRANT COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2005

GRANT COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2005

Functions/Programs Reporting Entity	Expenses	Program Revenues Received		Net (Expenses) Revenues and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Primary Government		
				Governmental Activities	Business-Type Activities	Totals
Primary Government:						
Governmental Activities:						
General Government	\$ 2,810,521	\$	\$ 42,699	\$ (2,767,822)	\$	\$ (2,767,822)
Protection to Persons and Property	2,721,166	3,201,198		480,032		480,032
General Health and Sanitation	460,185			(460,185)		(460,185)
Social Services	64,523			(64,523)		(64,523)
Recreation and Culture	191,805			(191,805)		(191,805)
Roads	959,194	37,402	597,203	(324,589)		(324,589)
Capital Projects	56,126			(56,126)		(56,126)
Debt Service	504,826			(504,826)		(504,826)
Total Governmental Activities	<u>7,768,346</u>	<u>3,238,600</u>	<u>639,902</u>	<u>(3,889,844)</u>		<u>(3,889,844)</u>
Business-Type Activities:						
Jail Canteen Fund	<u>287,336</u>	<u>224,875</u>			(62,461)	(62,461)
Total Business-Type Activities	<u>287,336</u>	<u>224,875</u>			<u>(62,461)</u>	<u>(62,461)</u>
Total Primary Government	<u>\$ 8,055,682</u>	<u>\$ 3,463,475</u>	<u>\$ 639,902</u>	<u>\$ (3,889,844)</u>	<u>\$ (62,461)</u>	<u>\$ (3,952,305)</u>
General Revenues:						
Taxes:						
Real Property Taxes				1,193,533		1,193,533
Personal Property Taxes				65,674		65,674
Motor Vehicle Taxes				215,417		215,417
Other Taxes				667,313		667,313
Excess Fees				59,647		59,647
Building Rental				53,765		53,765
Interest				136,589		136,589
Landfill Host Agreement				413,425		413,425
Sheriff Fee Pooling				569,660		569,660
Miscellaneous Revenues				<u>634,800</u>	<u>82,609</u>	<u>717,409</u>
Total General Revenues				<u>4,009,823</u>	<u>82,609</u>	<u>4,092,432</u>
Change in Net Assets				119,979	20,148	140,127
Net Assets - Beginning (Restated)				<u>4,825,200</u>	<u>103,425</u>	<u>4,928,625</u>
Net Assets - Ending				\$ 4,945,179	\$ 123,573	\$ 5,068,752

The accompanying notes are an integral part of the financial statements.

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GRANT COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
June 30, 2005

GRANT COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2005

	General Fund	Road Fund	Jail Fund	Public Properties Corporation Fund	Non- Major Funds	Total Governmental Funds
ASSETS						
Cash and Cash Equivalents	\$ 3,733,033	\$ 42,935	\$ 56,839	\$ 996,557	\$ 7,241	\$ 4,836,605
Total Assets	<u>\$ 3,733,033</u>	<u>\$ 42,935</u>	<u>\$ 56,839</u>	<u>\$ 996,557</u>	<u>\$ 7,241</u>	<u>\$ 4,836,605</u>
FUND BALANCES						
Reserved for:						
Encumbrances	\$ 5,584	\$ 28,000	\$ 18,889	\$	\$	\$ 52,473
Debt Service Fund				996,557		996,557
Unreserved:						
General Fund	3,727,449					3,727,449
Special Revenue Funds		14,935	37,950		7,241	60,126
Total Fund Balances	<u>\$ 3,733,033</u>	<u>\$ 42,935</u>	<u>\$ 56,839</u>	<u>\$ 996,557</u>	<u>\$ 7,241</u>	<u>\$ 4,836,605</u>

Reconciliation of Balance Sheet - Governmental Funds to Statement of Net Assets:

Total Fund Balances	\$ 4,836,605
Amounts Reported For Governmental Activities In The Statement	
Of Net Assets Are Different Because:	
Notes Receivable Used in Governmental Activities Are Not Current Financial Resources And Therefore Are Not Reported in the Funds.	1,552,000
Interest Receivable Used in Governmental Activities Are Not Current Financial Resources And Therefore Are Not Reported in the Funds.	8,479
Capital Assets Used in Governmental Activities Are Not Current Financial Resources And Therefore Are Not Reported in the Funds.	9,297,925
Accumulated Depreciation	(1,797,830)
Long-term debt is not due and payable in the current period and, therefore, is not reported in the funds.	
Financing Obligations	(1,552,000)
Revenue Bonds	<u>(7,400,000)</u>
Net Assets Of Governmental Activities	<u>\$ 4,945,179</u>

The accompanying notes are an integral part of the financial statements.

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GRANT COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2005

GRANT COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2005

	General Fund	Road Fund	Jail Fund	Public Properties Corporation Fund	Non- Major Funds	Total Governmental Funds
REVENUES						
Taxes	\$ 1,915,002	\$	\$	\$	\$ 12	\$ 1,915,014
Excess Fees	59,647					59,647
Licenses and Permits	117,343					117,343
Intergovernmental	2,397,021	837,555	2,502,831		25,240	5,762,647
Charges for Services	17,211		244,998			262,209
Miscellaneous	495,219	251	190,236			685,706
Interest	99,587	4,595	2,529	29,587	290	136,588
Total Revenues	<u>5,101,030</u>	<u>842,401</u>	<u>2,940,594</u>	<u>29,587</u>	<u>25,542</u>	<u>8,939,154</u>
EXPENDITURES						
General Government	2,205,672	89,293	549,221			2,844,186
Protection to Persons and Property	327,782		2,380,631		1,350	2,709,763
General Health and Sanitation	460,185					460,185
Social Services	64,523					64,523
Recreation and Culture	188,413					188,413
Roads		976,735			19,169	995,904
Transportation Facilities and Services					6,000	6,000
Debt Service	1,171,761			604,065		1,775,826
Capital Projects	56,126					56,126
Administration				1,799		1,799
Total Expenditures	<u>4,474,462</u>	<u>1,066,028</u>	<u>2,929,852</u>	<u>605,864</u>	<u>26,519</u>	<u>9,102,725</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>626,568</u>	<u>(223,627)</u>	<u>10,742</u>	<u>(576,277)</u>	<u>(977)</u>	<u>(163,571)</u>
Other Financing Sources (Uses)						
Transfers From Other Funds		215,000	614,000	584,396		1,413,396
Transfers To Other Funds	(829,000)		(584,396)			(1,413,396)
Total Other Financing Sources (Uses)	<u>(829,000)</u>	<u>215,000</u>	<u>29,604</u>	<u>584,396</u>	<u>-</u>	<u>-</u>
Special Item						
Balance From Payroll Revolving Account	<u>29,559</u>					<u>29,559</u>
Net Change in Fund Balances	(172,873)	(8,627)	40,346	8,119	(977)	(134,012)
Fund Balances - Beginning (Restated)	<u>3,905,906</u>	<u>51,562</u>	<u>16,493</u>	<u>988,438</u>	<u>8,218</u>	<u>4,970,617</u>
Fund Balances - Ending	<u>\$ 3,733,033</u>	<u>\$ 42,935</u>	<u>\$ 56,839</u>	<u>\$ 996,557</u>	<u>\$ 7,241</u>	<u>\$ 4,836,605</u>

The accompanying notes are an integral part of the financial statements.

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**GRANT COUNTY
RECONCILATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES – MODIFIED CASH BASIS**

For The Year Ended June 30, 2005

GRANT COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES – MODIFIED CASH BASIS

For The Year Ended June 30, 2005

Net Change in Fund Balances - Total Governmental Funds	\$ (134,012)
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.	
Capital Outlay	281,225
Depreciation Expense	(247,404)
Change in notes receivable as a result of payment by the districts	(1,050,830)
Financing obligation and bond principal payments are expensed in the Governmental Funds as a use of current financial resources. However, these transactions have no effect on net assets.	
Financing Obligations	1,026,000
Bond Payments	245,000
Change in Net Assets of Governmental Activities	<u>\$ 119,979</u>

The accompanying notes are an integral part of the financial statements.

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GRANT COUNTY
STATEMENT OF FUND NET ASSETS – PROPRIETARY FUND – MODIFIED CASH BASIS
June 30, 2005

GRANT COUNTY
STATEMENT OF FUND NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS

June 30, 2005

	<u>Business-Type Activities - Enterprise Fund</u>
	<u>Jail Canteen Fund</u>
Assets	
Current Assets:	
Cash and Cash Equivalents	\$ 96,860
Total Current Assets	<u>96,860</u>
Noncurrent Assets:	
Capital Assets:	
Vehicles	43,189
Less: accumulated depreciation	<u>(16,476)</u>
Total Noncurrent Assets	<u>26,713</u>
Total Assets	<u>123,573</u>
Net Assets	
Invested in Capital Assets,	
Net of Related Debt	26,713
Unrestricted	<u>96,860</u>
Total Net Assets	<u><u>\$ 123,573</u></u>

The accompanying notes are an integral part of the financial statements.

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GRANT COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS

For the Year Ended June 30, 2005

GRANT COUNTY
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS

For the Year Ended June 30, 2005

	Business - Type Activities - Enterprise Fund
	Jail Canteen Fund
Operating Revenues	
Canteen Receipts	\$ 224,875
Total Operating Revenues	<u>224,875</u>
 Operating Expenses	
Cost of Sales	47,249
Educational and Recreational	3,954
Personnel Costs	7,207
Miscellaneous	220,688
Depreciation Expense	8,238
Total Operating Expenses	<u>287,336</u>
Operating Income (Loss)	<u>(62,461)</u>
 Nonoperating Revenues (Expenses)	
Inmate Pay from State	9,738
Inmate Funds	626,934
Inmate Refunds	(554,063)
Total Nonoperating Revenues (Expenses)	<u>82,609</u>
 Change in Net Assets	20,148
Total Net Assets - Beginning	<u>103,425</u>
Total Net Assets - Ending	<u>\$ 123,573</u>

The accompanying notes are an integral part of the financial statements.

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GRANT COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS
For the Year Ended June 30, 2005

GRANT COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS

For the Year Ended June 30, 2005

	Business-Type Activities - Enterprise Fund
	Jail Canteen Fund
Cash Flows from Operating Activities	
Receipts from Customers	\$ 224,875
Cost of Sales	(47,249)
Personnel Costs	(7,207)
Educational and Recreational	(3,954)
Miscellaneous	(220,688)
	<hr/>
Net Cash Provided by Operating Activities	(54,223)
	<hr/>
Cash Flows from Noncapital Financing Activities	
Inmate Pay from State	9,737
Inmate Funds	626,934
Inmate Refunds on Accounts	(554,063)
	<hr/>
Net Cash Provided by Noncapital Financing Activities	82,608
	<hr/>
Net Increase in Cash and Cash Equivalents	28,385
Cash and Cash Equivalents - July 1, 2004	68,475
	<hr/>
Cash and Cash Equivalents - June 30, 2005	\$ 96,860
	<hr/> <hr/>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities	
Operating Income	\$ (62,461)
Adjustments to Reconcile Operating Income To Net Cash Provided (Used) by Operating Activities:	
Depreciation Expense	8,238
	<hr/>
Total Cash Provided By Operating Activities	\$ (54,223)
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The accompanying notes are an integral part of the financial statements.

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GRANT COUNTY
STATEMENT OF FIDUCIARY NET ASSETS - MODIFIED CASH BASIS
June 30, 2005

GRANT COUNTY
STATEMENT OF FIDUCIARY NET ASSETS - MODIFIED CASH BASIS

June 30, 2005

	<u>Agency Fund</u>
	<u>Jail Inmate</u>
	<u>Account</u>
Assets	
Current Assets:	
Cash	\$ 44,151
Total Assets	<u>\$ 44,151</u>
Liabilities	
Amounts Held in Custody for Others	\$ 44,151
Total Liabilities	<u>\$ 44,151</u>

The accompanying notes are an integral part of the financial statements.

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**GRANT COUNTY
NOTES TO FINANCIAL STATEMENTS**

June 30, 2005

Note 1. Summary of Significant Accounting Policies

A. Basis of Presentation

The county presents its government-wide and fund financial statements in accordance with the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenue when received and expenditures when paid. Notes receivable are recognized on the Statement of Net Assets, but notes receivable are not included and recognized on Balance Sheet – Governmental Funds. Property tax receivables, accounts payable, compensated absences, and donated assets are not reflected in the financial statements.

Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however encumbrances are reflected on the Balance Sheet – Governmental Funds as part of the fund balance (Reserved for Encumbrances).

The State Local Finance Officer does not require the county to report capital assets and infrastructure; however the value of these assets is included in the Statement of Net Assets and their corresponding depreciation expenses are included on the Statement of Activities.

B. Reporting Entity

The financial statements of Grant County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14 and GASB 39, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Consequently, the reporting entity includes organizations that are legally separate from the primary government. Legally separate organizations are reported as component units if either the County is financially accountable or the organization's exclusion would cause the County's financial statements to be misleading or incomplete. Component units may be blended or discretely presented. Blended component units either provide services exclusively or almost entirely to the primary government, or their governing bodies are substantively the same as the primary government. All other component units are discretely presented. The County has no discretely presented component units.

Blended Component Units

The following legally separate organization provides its services exclusively to the primary government and the fiscal court is able to impose its will on this organization. This organization's balances and transactions are reported as though it is part of the County's primary government using the blended method.

Grant County Public Properties Corporation

The Grant County Public Properties Corporation is established for the purpose of providing long-term financing for approved projects. The Grant County Fiscal Court is financially accountable for the component unit as part of the reporting entity and its financial activity is blended with that of the fiscal court.

GRANT COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2005
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Grant County Constitutional Elected Officials Not Part Of Grant County, Kentucky

Kentucky law provides for election of the officials below from the geographic area constituting Grant County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These financial statements are not required to be included in the financial statement of Grant County, Kentucky.

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

D. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its non-fiduciary component units. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on sales, fees, and charges for support. Business-type revenues come mostly from fees charged to external parties for goods or services. Fiduciary funds are not included in these financial statements due to the unavailability of fiduciary funds to aid in the support of government programs.

The statement of net assets presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as net assets. Net assets are reported in three categories: 1) invested in capital assets, net of related debt – consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of those assets; 2) restricted net assets – resulting from constraints placed on net assets by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation; and 3) unrestricted net assets – those assets that do not meet the definition of restricted net assets or invested in capital assets.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function; 2) operating grants and contributions; and 3) capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Internally dedicated resources such as taxes and unrestricted state funds are reported as general revenues.

GRANT COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2005
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

Funds are characterized as either major or non-major. Major funds are those whose assets, liabilities, revenues, or expenditures/expenses are at least ten percent of the corresponding total (assets, liabilities, etc.) for all funds or type (governmental or proprietary) and whose total assets, liabilities, revenues, or expenditures/expenses are at least five percent of the corresponding total for all governmental and enterprise funds combined. The fiscal court may also designate any fund as major.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. Major individual governmental funds and major enterprise funds are reported as separate columns in the financial statements.

Governmental Funds

The primary government reports the following major governmental funds:

General Fund - This is the primary operating fund of the Fiscal Court. It accounts for all financial resources of the general government, except where the Governor's Office for Local Development requires a separate fund or where management requires that a separate fund be used for some function.

Road Fund - This fund is for road and bridge construction and repair. The primary source of revenue for this fund is state payments for truck licenses distribution, municipal road aid, and transportation grants. The Governor's Office for Local Development requires the Fiscal Court to maintain these receipts and expenditures separately from the General Fund.

Jail Fund - The primary purpose of this fund is to account for the jail expenses of the county. The primary sources of revenue for this fund are reimbursements from the state and federal government, payment from other counties for housing prisoners and transfers from the General Fund. The Governor's Office for Local Development requires the Fiscal Court to maintain these receipts and expenditures separately from the General Fund.

Public Properties Corporation Fund – This is for the accumulation of resources for, and the payment of general long-term debt principal and interest.

The primary government also has the following non-major funds: Local Government Economic Assistance Fund, and Forestry Fund.

Special Revenue Funds:

The Road Fund, Jail Fund, Local Government Economic Assistance Fund and Forestry Fund are presented as special revenue funds.

Debt Service Fund:

The Public Properties Corporation Fund is presented as a debt service fund. Debt service funds are to account for the accumulation of resources for, and the payment of general long-term debt principal and interest.

GRANT COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2005
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

Governmental Funds (Continued)

Generally and except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) November 1, due at discount November 30, due at face value December 31, delinquent January 1 following the assessment, and subject to lien and sale the 3rd Saturday in April following the delinquency date.

Proprietary Funds

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with proprietary funds' principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The principal operating revenues of the county's enterprise funds are charges to customers for sales in the Jail Canteen Fund. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. The government has elected not to adopt Financial Accounting Standards Board (FASB) Statements on Interpretations issued after November 30, 1989 unless the Governmental Accounting Standards Board (GASB) specifically adopts such FASB Statements or Interpretations.

The primary government reports the following major proprietary fund:

Jail Canteen Fund - The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Canteen Fund.

Fiduciary Funds

Fiduciary funds report only those resources held in a trust or custodial capacity for individuals, private organizations, or other governments. The county's agency fund is used to account for monies held by the county in the Inmate Account Fund for custodial purposes only. Unlike other funds, the agency fund reports assets and liabilities only; therefore, it has no measurement focus.

The primary government reports the following fiduciary fund:

Inmate Account Fund - This fund accounts for funds received from the inmates.

E. Deposits and Investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from date of acquisition.

GRANT COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2005
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

E. Deposits and Investments (Continued)

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

F. Capital Assets

Capital assets, which include land, land improvements, buildings, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported in the applicable governmental or business-type activities of the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

Cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Land and Construction In Progress are not depreciated. Interest incurred during construction is not capitalized. Capital assets and infrastructure are depreciated using the straight-line method of depreciation over the estimated useful life of the asset.

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 12,500	10-60
Buildings and Building Improvements	\$ 25,000	10-75
Machinery and Equipment	\$ 5,000	3-25
Vehicles	\$ 5,000	5-15
Infrastructure	\$ 20,000	10-50

G. Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable financial statements. The principal amount of bonds, notes and financing obligations are reported.

In the fund financial statements, governmental fund types recognize bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. Debt proceeds are reported as other financing sources.

GRANT COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2005
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

H. Fund Equity

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into reserved and unreserved components, with unreserved considered available for new spending. Unreserved fund balances may be divided into designated and undesignated portions. Designations represent fiscal court's intended use of the resources and should reflect actual plans approved by the fiscal court.

Governmental funds report reservations of fund balance for amounts that are legally restricted by outside parties for use for a specific purpose, such as debt service and encumbrances.

"Reserved for Encumbrances" are purchase orders that will be fulfilled in a subsequent fiscal period. Although the purchase order or contract creates a legal commitment, the fiscal court incurs no liability until performance has occurred on the part of the party with whom the fiscal court has entered into the arrangement. When a government intends to honor outstanding commitments in subsequent periods, such amounts are encumbered. Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however, encumbrances are reflected on the Balance Sheet-Governmental Funds as part of the fund balance.

I. Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

The State Local Finance Officer does not require the Public Properties Corporation Fund to be budgeted. Bond indentures and other relevant contractual provisions require specific payments to and from these funds annually and transfers are budgeted in the General Fund Type to comply with these requirements.

The State Local Finance Officer does not require the Jail Canteen Fund and the Jail Canteen Inmate Agency Fund to be budgeted because the fiscal court does not approve the expenses made from these funds.

GRANT COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2005
(Continued)

Note 2. Deposits

The county maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Custodial Credit Risk – Deposit

Custodial Credit Risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned to it. The County does not have a policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of June 30, 2005, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 3. Employee Retirement System

The county has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost-sharing multiple-employer defined benefit pension plan that covers all eligible full-time employees and provides for retirement disability and death benefits to plan members. Benefit contributions and provision are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 8.48 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

GRANT COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2005
(Continued)

Note 4. Capital Assets

Capital asset activity for the year ended June 30, 2005, was as follows:

	Reporting Entity			
	Beginning Balance	Increases	Decreases	Ending Balance
Primary Government:				
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land and Land Improvements	\$ 172,700	\$	\$	\$ 172,700
Total Capital Assets Not Being Depreciated	172,700			172,700
Capital Assets, Being Depreciated:				
Buildings	6,428,000	25,000		6,453,000
Machinery and Equipment	625,564	151,662		777,226
Prior Year Omissions - Equipment	111,500			111,500
Vehicles	836,608			836,608
Prior Year Omissions - Vehicle	378,355			378,355
Infrastructure	463,974	104,562		568,536
Total Capital Assets Being Depreciated	8,844,001	281,224		9,125,225
Less Accumulated Depreciation For:				
Buildings	(652,987)	(91,197)		(744,184)
Machinery and Equipment	(232,708)	(34,394)		(267,102)
Prior Year Omissions - Acc. Dep. - Equip.	(68,536)	(1,627)		(70,163)
Vehicles	(269,888)	(94,352)		(364,240)
Prior Year Omissions - Acc. Dep. - Vehicles	(317,955)	(15,600)		(333,555)
Infrastructure	(8,352)	(10,234)		(18,586)
Total Accumulated Depreciation	(1,550,426)	(247,404)		(1,797,830)
Total Capital Assets, Being Depreciated, Net	7,293,575	33,820		7,327,395
Governmental Activities Capital Assets, Net	\$ 7,466,275	\$ 33,820	\$ 0	\$ 7,500,095

GRANT COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2005
(Continued)

Note 4. Capital Assets (Continued)

	Reporting Entity			
	Beginning Balance	Increases	Decreases	Ending Balance
<u>Business-Type Activities:</u>				
Capital Assets, Being Depreciated:				
Vehicles	\$ 43,189	\$	\$	\$ 43,189
Total Capital Assets Being Depreciated	43,189			43,189
Less Accumulated Depreciation For:				
Vehicles	(8,238)	(8,238)		(16,476)
Total Accumulated Depreciation	(8,238)	(8,238)		(16,476)
Total Capital Assets, Being Depreciated, Net	34,951	(8,238)		26,713
Business-Type Activities Capital Assets, Net	\$ 34,951	\$ (8,238)	\$ 0	\$ 26,713

Depreciation expense was charged to functions of the primary government and business-type activities as follows:

<u>Governmental Activities:</u>	
General Government	\$ 19,095
Protection to Persons and Property	163,065
Recreation and Culture	3,392
Roads	<u>61,852</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 247,404</u>
<u>Business-Type Activities</u>	
Jail Canteen	<u>\$ 8,238</u>
Total Depreciation Expense - Business-Type Activities	<u>\$ 8,238</u>

GRANT COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2005
(Continued)

Note 5. Long-Term Debt

Bonds outstanding of the Grant County Public Properties Corporation Fund are:

A. First Mortgage Revenue Bonds, Series 1995

The Grant County Public Properties Corporation issued \$910,000 First Mortgage Revenue Bonds dated August 1995, for the construction of a jail. Principal payments are due each year on July 1. Interest on the bonds is payable each July 1 and January 1, and began on January 1, 1996. The principal balance outstanding for the bond issue as of fiscal year ended June 30, 2005 was \$555,000. Future debt service requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2006	\$ 45,000	\$ 33,868
2007	45,000	31,370
2008	50,000	28,685
2009	55,000	25,665
2010	55,000	22,475
2011-2013	350,000	50,940
Totals	\$ 600,000	\$ 193,003
Less: Payments		
Due July 2005		
Paid June 2005	45,000	17,553
Total Outstanding June 30, 2005	<u>\$ 555,000</u>	<u>\$ 175,450</u>

B. First Mortgage Revenue Bonds, Series 1998

The Grant County Public Properties Corporation issued \$7,775,000, First Mortgage Revenue Bonds dated August 1998, for the construction of a jail addition. Principal payments are due each year on July 1, in the amounts indicated below starting July 1, 2000. Interest on the bonds is payable each July 1 and January 1, beginning January 1, 1999. The principal balance outstanding for this bond issue as of fiscal year ended June 30, 2005, was \$6,845,000. Future debt service requirements are:

GRANT COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2005
(Continued)

Note 5. Long-Term Debt (Continued)

B. First Mortgage Revenue Bonds, Series 1998 (Continued)

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2006	\$ 210,000	\$ 316,479
2007	220,000	306,589
2008	230,000	296,210
2009	240,000	285,341
2010	255,000	273,894
2011-2015	1,455,000	1,177,765
2016-2020	1,855,000	792,143
2021-2025	2,380,000	294,025
Totals	<u>\$ 6,845,000</u>	<u>\$ 3,742,446</u>

Total bond principal outstanding for the Public Properties Corporation Fund, shown in the debt service schedules above, as of June 30, 2005, was \$7,400,000 (Note 6.E.).

Note 6. Financing Obligations/Notes Receivable

The county has entered into the following agreements:

A. Waterlines - Corinth Water District

Grant County entered into an agreement with the Kentucky Association of Counties Leasing Trust (KACoLT) for the construction of rural waterlines by the Corinth Water District. A total of \$1,245,000 was awarded to Grant County on March 31, 1994. The agreement required variable annual payments for twenty-five years, however, the agreement was paid in full in June 2005.

B. Waterlines - Bullock Pen Phase III

Grant County entered into an agreement with KACoLT for the construction of waterlines for the Bullock Pen - Phase III Water Expansion Project. A total of \$1,500,000 was awarded to Grant County during fiscal year ended June 30, 1996. The agreement calls for Grant County to make annual payments beginning September 1995, and ending February 2019. Interest is paid monthly at an effective rate of 5.45 percent. The outstanding principal balance as of June 30, 2005, was \$1,116,000. Future principal and interest requirements are:

GRANT COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2005
(Continued)

Note 6. Financing Obligations/Notes Receivable (Continued)

B. Waterlines - Bullock Pen Phase III (Continued)

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2006	\$ 55,000	\$ 70,798
2007	58,000	67,155
2008	61,000	63,317
2009	65,000	59,258
2010	68,000	54,967
2011-2015	401,000	201,945
2016-2019	408,000	56,868
Totals	<u>\$ 1,116,000</u>	<u>\$ 574,308</u>

C. Expansion - Health Department Facilities

Grant County entered into an agreement with KACoLT for the expansion of Health Department facilities. A total of \$400,000 was awarded to Grant County. The agreement calls for Grant County to make variable annual payments for fifteen years beginning June 1996, and ending February 2011. Interest is paid monthly at an effective rate of 5.35 percent. The outstanding principal balance as of June 30, 2005, was \$198,000. Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2006	\$ 29,000	\$ 11,851
2007	30,000	9,976
2008	32,000	8,011
2009	34,000	5,918
2010	35,000	3,724
2011	38,000	1,413
Totals	<u>\$ 198,000</u>	<u>\$ 40,893</u>

GRANT COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2005
(Continued)

Note 6. Financing Obligations/Notes Receivable (Continued)

D. Waterlines - Bullock Pen Phase IV

Grant County entered into an agreement with KACoLT for the construction of waterlines for the Bullock Pen Water Expansion Project - Phase IV. A total of \$336,000 was awarded to Grant County. The agreement calls for Grant County to make annual payments beginning October 1996, and ending February 2016. Interest is paid monthly at an effective rate of 5.13 percent. The outstanding principal balance as of June 30, 2005, was \$238,000. Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2006	\$ 16,000	\$ 14,168
2007	16,000	13,188
2008	17,000	12,183
2009	18,000	11,116
2010	19,000	9,988
2011-2015	114,000	30,408
2016	38,000	1,358
Totals	<u>\$ 238,000</u>	<u>\$ 92,409</u>

The total principal outstanding as of June 30, 2005 for the four agreements listed is \$1,552,000.

The agreements listed above were subsequently sub-leased to each applicable district. The districts make monthly payments to the county for the debt service requirements in accordance with the sub-lease agreements.

E. Changes In Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2005, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Governmental Activities:</u>					
Revenue Bonds (Note 5)	\$ 7,645,000	\$	\$ 245,000	\$7,400,000	\$ 210,000
Financing Obligations	<u>2,578,000</u>		<u>1,026,000</u>	<u>1,552,000</u>	<u>100,000</u>
Governmental Activities					
Long-term Liabilities	<u>\$ 10,223,000</u>	<u>\$</u>	<u>\$1,271,000</u>	<u>\$8,952,000</u>	<u>\$ 310,000</u>

GRANT COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2005
(Continued)

Note 7. Interest on Long-Term Debt and Financing Obligations

Debt Service on the Statement of Activities includes \$145,761 in interest on financing obligations and \$359,065 in interest on bonds.

Note 8. Insurance

For the fiscal year ended June 30, 2005, Grant County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

Note 9. Interest Receivable

On March 31, 1994, the fiscal court on behalf of the Corinth Water District entered into an agreement with the Kentucky Association of Counties Leasing Trust Program (KACoLT) for the construction of rural waterlines. The agreement required variable annual payments for twenty-five years. The fiscal court made the required principal and interest payments to KACoLT and then collected the required principal and interest payments from the Corinth Water District. The entire remaining principal balance was received from the Corinth Water District and paid by the fiscal court in June 2005. As of the June 30, 2005, the Corinth Water District owed an additional \$8,479 in interest payments to the fiscal court for scheduled interest that was paid by the fiscal court on their behalf.

Note 10. Prior Period Adjustments

Beginning net assets has been restated for the correction in errors and omissions of capital assets in prior years. The result is a net increase of \$64,435.

GRANT COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2005

GRANT COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis

For The Year Ended June 30, 2005

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 1,717,500	\$ 1,717,500	\$ 1,915,002	\$ 197,502
Excess Fees	41,933	41,933	59,647	17,714
Licenses and Permits	86,500	86,500	117,343	30,843
Intergovernmental Revenue	1,517,060	1,517,060	2,397,021	879,961
Charges for Services	8,500	8,500	17,211	8,711
Miscellaneous	500,250	500,250	495,219	(5,031)
Interest	50,000	50,000	99,587	49,587
Total Revenues	3,921,743	3,921,743	5,101,030	1,179,287
EXPENDITURES				
General Government	2,430,575	2,178,880	2,205,672	(26,792)
Protection to Persons and Property	222,946	419,113	327,782	91,331
General Health and Sanitation	463,314	487,257	460,185	27,072
Social Services	49,285	69,509	64,523	4,986
Recreation and Culture	200,205	207,598	188,413	19,185
Debt Service	477,455	279,593	1,171,761	(892,168)
Capital Projects	470,000	93,569	56,126	37,443
Total Expenditures	4,313,780	3,735,519	4,474,462	(738,943)
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(392,037)	186,224	626,568	440,344
OTHER FINANCING SOURCES (USES)				
Transfers To Other Funds	(405,575)	(405,575)	(829,000)	(423,425)
Total Other Financing Sources (Uses)	(405,575)	(405,575)	(829,000)	(423,425)
Net Changes in Fund Balances	(797,612)	(219,351)	(202,432)	16,919
Fund Balances - Beginning	797,612	797,612	3,905,906	3,108,294
Fund Balances - Ending	\$ 0	\$ 578,261	\$ 3,703,474	\$ 3,125,213

GRANT COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2005
(Continued)

	ROAD FUND			
	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts,</u> <u>(Budgetary</u> <u>Basis)</u>	<u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
REVENUES				
Intergovernmental Revenue	\$ 709,632	\$ 709,632	\$ 837,555	\$ 127,923
Miscellaneous	1,175	1,175	251	(924)
Interest	4,500	4,500	4,595	95
Total Revenues	<u>715,307</u>	<u>715,307</u>	<u>842,401</u>	<u>127,094</u>
EXPENDITURES				
Roads	964,550	990,581	976,735	13,846
Administration	131,332	109,301	89,293	20,008
Total Expenditures	<u>1,095,882</u>	<u>1,099,882</u>	<u>1,066,028</u>	<u>33,854</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(380,575)</u>	<u>(384,575)</u>	<u>(223,627)</u>	<u>160,948</u>
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds	<u>380,575</u>	<u>380,575</u>	<u>215,000</u>	<u>(165,575)</u>
Total Other Financing Sources (Uses)	<u>380,575</u>	<u>380,575</u>	<u>215,000</u>	<u>(165,575)</u>
Net Changes in Fund Balances		(4,000)	(8,627)	(4,627)
Fund Balances - Beginning (Restated)			51,562	51,562
Fund Balances - Ending	<u>\$ 0</u>	<u>\$ (4,000)</u>	<u>\$ 42,935</u>	<u>\$ 46,935</u>

GRANT COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2005
(Continued)

	JAIL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$ 2,592,050	\$ 2,592,050	\$ 2,502,831	\$ (89,219)
Charges for Services	180,500	180,500	244,998	64,498
Miscellaneous	219,500	219,500	190,236	(29,264)
Interest	1,000	1,000	2,529	1,529
Total Revenues	2,993,050	2,993,050	2,940,594	(52,456)
EXPENDITURES				
General Government	501,450	546,815	549,221	(2,406)
Protection to Persons and Property	2,056,880	2,391,100	2,380,631	10,469
Debt Service	434,720	629,396		629,396
Total Expenditures	2,993,050	3,567,311	2,929,852	637,459
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)				
		(574,261)	10,742	585,003
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds			614,000	614,000
Transfers To Other Funds			(584,396)	(584,396)
Total Other Financing Sources (Uses)			29,604	29,604
Net Changes in Fund Balances				
		(574,261)	40,346	614,607
Fund Balances - Beginning			16,493	16,493
Fund Balances - Ending	\$ 0	\$ (574,261)	\$ 56,839	\$ 631,100

GRANT COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2005

1. Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

2. Reconciliation - General Fund

Fund balance - budgetary basis	\$ 3,703,474
Addition: Cash remaining in payroll revolving account	<u>29,559</u>
Fund balance - modified cash basis	<u><u>\$ 3,733,033</u></u>

GRANT COUNTY
COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS -
MODIFIED CASH BASIS
Other Supplementary Information

June 30, 2005

GRANT COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

June 30, 2005

	Local Government Economic Assistance Fund	Forestry Fund	Total Non-Major Governmental Funds
ASSETS			
Cash and Cash Equivalents	\$ 7,234	\$ 7	\$ 7,241
Total Assets	<u>\$ 7,234</u>	<u>\$ 7</u>	<u>\$ 7,241</u>
FUND BALANCES			
Unreserved:			
Special Revenue Funds	\$ 7,234	\$ 7	\$ 7,241
Total Fund Balances	<u>\$ 7,234</u>	<u>\$ 7</u>	<u>\$ 7,241</u>

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GRANT COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information
For The Year Ended June 30, 2005

GRANT COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

For The Year Ended June 30, 2005

	Local Government Economic Assistance Fund	Forestry Fund	Total Non-Major Governmental Funds
REVENUES			
Taxes	\$	\$ 12	\$ 12
Intergovernmental	25,239		25,239
Interest	263	28	291
Total Revenues	<u>25,502</u>	<u>40</u>	<u>25,542</u>
EXPENDITURES			
Protection to Persons and Property		1,350	1,350
Roads	19,169		19,169
Transportation Facilities and Services	6,000		6,000
Total Expenditures	<u>25,169</u>	<u>1,350</u>	<u>26,519</u>
Excess (deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>333</u>	<u>(1,310)</u>	<u>(977)</u>
Net Change in Fund Balances	333	(1,310)	(977)
Fund Balances - Beginning (Restated)	6,901	1,317	8,218
Fund Balances - Ending	<u><u>\$ 7,234</u></u>	<u><u>\$ 7</u></u>	<u><u>\$ 7,241</u></u>

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

TICHENOR & ASSOCIATES, LLP
CERTIFIED PUBLIC ACCOUNTANTS and MANAGEMENT CONSULTANTS

304 MIDDLETOWN PARK PLACE SUITE C
LOUISVILLE, KY 40243

BUSINESS: (502) 245-0775

FAX: (502) 245-0725

E-MAIL: wtichenor@tichenorassociates.com

Honorable Darrell L. Link, Grant County Judge/Executive
Members of the Grant County Fiscal Court

Report On Internal Control Over Financial Reporting
And On Compliance And Other Matters Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Grant County, Kentucky, as of and for the year ended June 30, 2005, which collectively comprise the County's basic financial statements, as listed in the table of contents and have issued our report thereon dated January 26, 2006. Grant County, Kentucky presents its financial statements on the modified cash basis of accounting which is a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Grant County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. A reportable condition involves matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Grant County's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying comments and recommendations.

- The County Should Reconcile The Payroll Revolving Account On A Monthly Basis
- The County Should Cancel Healthcare Premiums For Terminated Employees In A Timely Manner

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that the reportable conditions described above are not material weaknesses.

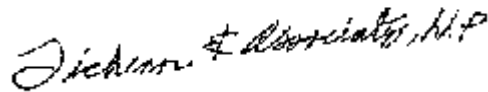
Report On Internal Control Over Financial Reporting
And On Compliance And Other Matters Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

Compliance And Other Matters

As part of obtaining reasonable assurance about whether Grant County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amount. However, providing opinions on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such opinions. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of management and the Kentucky Governor's Office for Local Development and is not intended to be and should not be used by anyone other than the specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Tichenor & Associates, LLP".

Tichenor & Associates, LLP

Audit fieldwork completed -
January 26, 2006

COMMENTS AND RECOMMENDATIONS

**GRANT COUNTY
COMMENTS AND RECOMMENDATIONS**

For The Fiscal Year Ended June 30, 2005

REPORTABLE CONDITIONS:

The County Should Reconcile The Payroll Revolving Account On A Monthly Basis

During our testing, we noted that the payroll revolving account is still not being reconciled. As of June 30, 2005, the cash balance in the payroll revolving account was \$29,559. According to the accounting and documenting provisions set out in regulations promulgated pursuant to KRS 68.210, official bank accounts should be reconciled monthly. We recommend that the County require monthly reconciliation of all official bank accounts in accordance with KRS 68.210.

County Judge/Executive Darrell L. Link's Response: None

The County Should Cancel Healthcare Premiums For Terminated Employees In A Timely Manner

During our audit of healthcare insurance, we noted that healthcare premiums were continuing to be paid for an employee who was no longer eligible to receive the healthcare benefits. The employee had retired from his/her position and then returned to work on a part-time basis, therefore rendering the employee ineligible for the healthcare benefits. It was determined that the Fiscal Court was paying premiums for this employee for a fourteen-month period when they should not have been. We recommend that the Fiscal Court carefully monitor their healthcare premium bills and immediately remove any terminated/ineligible employees.

County Judge/Executive Darrell L. Link's Response: None

PRIOR YEAR FINDINGS:

The County Should File A Uniform Financial Information Report By The July 15 Deadline, As Required By KRS 65.905

This comment has not been corrected, however, it will not be a report comment this year.

The County Should Reconcile The Payroll Revolving Account On A Monthly Basis

This comment has not been corrected and is repeated in the current year.

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**CERTIFICATION OF COMPLIANCE -
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**

GRANT COUNTY FISCAL COURT

**For The Fiscal Year Ended
June 30, 2005**

CERTIFICATION OF COMPLIANCE

LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM

GRANT COUNTY FISCAL COURT

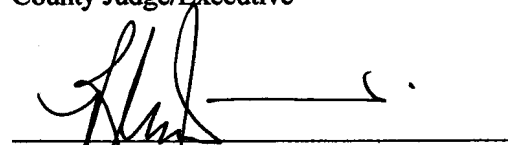
Fiscal Year Ended June 30, 2005

The Grant County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended, as dictated by the applicable Kentucky Revised Statutes.



Name: Darrell L. Link

County Judge/Executive



Name: Roger L. Wagoner

County Treasurer